

Effective Pricing Strategies in a Changing World

April 17, 2017



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Welcome and Introduction

Soraya Correa, Chief Procurement Officer, Department of Homeland Security (DHS)

Carla Thomas, Industry Liaison, DHS, Office of the Chief Procurement Officer (OCPO)



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Event Structure and Goals

9:20 – 10:15	Communicating with Industry in the Development of a Pricing Strategy
10:15 – 10:30	Break for Transition
10:30 – 11:55	Effective Pricing Strategies and Examples
11:55 – 12:00	Closing Statement



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Communicating with Industry in the Development of a Pricing Strategy

Michael B. Smith, DHS, OCPO, Office of Selective Acquisitions

Jim Ghiloni, Wolf Den

Theresa Gonzalez, Ambit Group

Joanie Hastings, SAIC

Communication with Industry

Request for Information

- Great way for industry to understand future Government requirements

Due Diligence/One-on-One Meetings

- Static two-way communication
- Drafting sections B, L, & M

Selection of Contract Type

- Clearly define contract types

Communication with Industry

Market Research/Pre-RFP

- Request for Information
 - Use when government has specific questions or wants targeted feedback
 - Great way for industry to understand future Government requirements
- Due Diligence/One-on-One Meetings
 - Dynamic two-way communication, allows for more open conversation
 - Time-consuming, must remain focused on specific issues, not capabilities briefs
- Draft RFP
 - Static two-way communication
 - Provide at least Sections B, C, L and M
- Industry Days
 - Mostly one-way communication from government and industry
 - Use when government wants to share information to a wide audience

Communication with Industry

Issuance of RFP ends market research phase. From this point, communication is now limited, but does not end.

RFP

- Meaningful exchanges in the question-and-answer phase is critical
- Clarifications and discussions may also occur

Debriefs

- Debriefings give great insight for industry

Communication with Industry

Price Evaluation

- Evaluation factor
- Highest Technically Rated with Fair and Reasonable Pricing: Not your Grandfather's best value trade-off analysis

Other Topics

- Value Adjusted Total Evaluated Price and Quality Infused Pricing
- 'as a Service' Pricing Model

Effective Pricing Strategies and Examples

Catherine Benavides, DHS, OCPO, Acquisition Policy and Legislation (APL)

Dan O'Sullivan, DHS, Federal Protective Services (FPS), Office of Procurement Operations, Acquisition Division

Richard Melrose, DHS, Transportation Security Administration (TSA), Office of Acquisition

Polly Hall, DHS, OCPO, APL, Procurement Innovation Lab

Jacob George, JACOBS Management Consultants

Jacob Sapp, ASRC Federal

Pricing Policy and Effective Pricing Strategies

Catherine Benavides, Procurement Analyst
DHS, OCPO, APL



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Pricing Policy and Effective Pricing Strategies

Federal Acquisition Regulation (FAR) 15.402

- Contracting Officer shall purchase supplies and services from responsible sources at fair and reasonable prices;
- Price each contract independently and separately; and,
- Exclude contingencies provided for in price adjustments.

Compliance with federal appropriation laws

- Purpose
- Time
- Amount



Federal Protective Services Pricing Examples

Dan O'Sullivan, Director

DHS, FPD, Office of Procurement Operations, Acquisition Division



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What was the challenge?

Market research and history anticipated that the Armed Guard Services requirement would result in a significant amount of offers

- Contemplated single award IDIQ with Labor-Hour or Fixed-Price provisions
- Tradeoff of non-price vs. price where the non-price factors when combined are more important than price.
- Price Realism is included as part of the price evaluation

How do we streamline the evaluation process while ensuring that we are receiving the best-value solution?

Evaluation Criteria/Special Note

The following technical (non-price) factors for this procurement are listed in descending order of importance.

- Relevant Past Performance
- Management Approach

Goals and Outcome

- Significantly reduce timeframe of evaluation of offers
- Provides flexibility to evaluation team

SPECIAL NOTE: Non-price factors, when combined are more important than price; however, the government contemplates the possibility that it may not evaluate the technical proposals of all offerors. This would occur when the CO determines that one or more of the technical proposals already reviewed that achieve the highest possible rating is of such a high level of quality that it would not be in the Government's interest to pay an additional price premium for any additional (non-price) advantage.

As a result, offerors are advised that the Government may not evaluate the technical proposals of all proposals received.

TSA Agile Services Innovative Pricing Approach

Richard Melrose, Branch Chief

DHS, TSA, Office of Contracting and Procurement, Enterprise IT Acquisition Division



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TSA Innovative Pricing Approach

Procurement Objectives

- Support shift from waterfall to Agile development
- Portfolio level management during process transformation
- Performance-based model; drive to quality, working product as deliverable.

Challenge

- Develop solicitation pricing structure to allow all offerors the ability to propose pricing based on individual approaches to Agile methodology
- Ensure pricing structure allowed for uniform price evaluation (i.e., compare apples to apples)

Solicitation Pricing Features

- Firm-Fixed-Price (FFP) at the level of Agile development teams
- Define length of sprint and number of Agile team members
- Included firm requirements as well as CLINs for additional optional sprints

TSA Agile Services - CLIN Structure Sample

00004	Data Operations Support Agile Team Sprint Length: ____ weeks; # of Team Members: ____	FFP	____	Sprint	\$	\$
00005	Data Operations Support Agile Team [Optional CLIN] Sprint Length: ____ weeks; # of Team Members: ____	FFP	____	Sprint	\$	\$
00009	Application Development Services Agile Team Sprint Length: ____ weeks; # of Team Members: ____	FFP	____	Sprint	\$	\$
00014	Collaboration & Workflow Development Sprint Length: ____ weeks; # of Team Members: ____	FFP	____	Sprint	\$	\$
00018	Application Support Services Agile Team [Optional CLIN] Sprint Length: ____ weeks; # of Team Members: ____	FFP	____	Sprint	\$	\$



TSA Agile Services – Price Evaluation

- Invoicing and Payment Instructions
- Questions about Pricing
- Price Evaluation
 - Evaluated for fair and reasonable
 - FFP CLINs awarded based on Agile teams (team size and duration of sprints; variable is velocity)

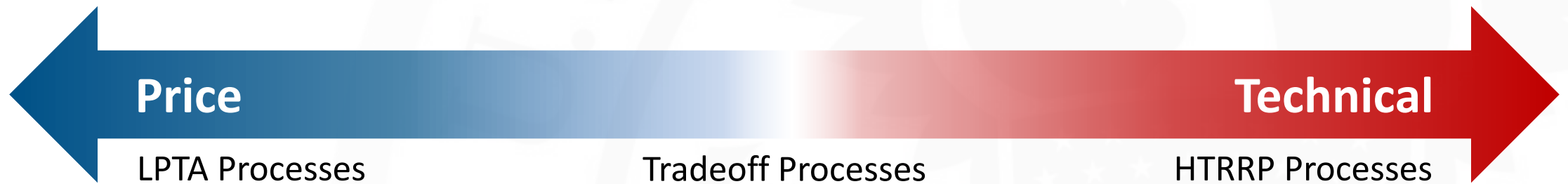
GSA Alliant 2 and Recent GAO Decision

Polly Hall, Strategy and Planning Lead
DHS, OCPO, APL, Procurement Innovation Lab



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Best Value Continuum



LPTA – Price is most important

HTRRP – Technical is most important

Tradeoff Process – Relative importance of technical and price depends on the acquisition

What is next?

- Further develop GSA approach for use in single-award acquisitions
- Experimentation is necessary and risky, that is how we make innovative progress

Possible adaptation

- Contracting Officer (CO) solicits qualifications statement and price offer, but no cost or pricing data;
- Evaluators rate qualifications, compare offerors, and rank them;
- Agency solicits detailed price information, agency negotiates fair and reasonable price; and
- Agency continues the process until it makes an award.

Industry Perspective

Jacob George, Chief Executive Officer/Managing Director

JACOBS Management Consultants

Principal Consultant, Pricing

Red Team Consulting

Cost and Pricing Realities

- Defining “best value” from the industry perspective
- Small business challenges
- Incumbent competitors
- Federal budget constraints
- Small Business Perspective
 - Trade Off
 - LPTA

Considerations and Questions

- Application of FAR price evaluation techniques in the current environment
- Has industry conducted a benefit-evaluation from the following:
 - Hourly fully-loaded rate for one unit;
 - Hourly fully-loaded rate against historical quantities;
 - Sample task with LOE and labor category provided;
 - Sample task with contractor defined solutions (LOE and labor category); and,
 - Brand pricing for non-service related procurements, Software as a Service (SaaS)
- How to avoid price gaming

Industry Perspective

Jacob Sapp, Senior Vice President

Business Operations and Strategic Pricing, ASRC Federal

Improving Pricing Accuracy and Flexibility

Accuracy

- Consistency between offer price and execution costs achieved through the following:
 - Flexible Section L
 - Robust Section M

Flexibility

- Allows industry the ability to propose unique solutions, reduce risk, and drive higher reliability of execution costs

Evaluation Criteria

Going beyond reasonableness, realism, and balanced pricing: what really matters?

Transition – Phase-in Timeline, Project Plan

- Events and Milestones

Staffing and Retention

- Benefits
- Recruiting
- Staffing

Risk Assignment

- Probable Cost Adjustment
- Technical/Management Understanding

Open Discussion

- Define Innovation
- How do we price it?
- What does industry want the government to tell them?

